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Harvesting corn in Germany.

EC Sets Record Grain Price Hike

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This week's cover:

Harvesting corn in West Germany. Higher EC prices for grains this year may encourage production—and discourage consumption—of grains in Germany and other EC members at the expense of imported grains. See article opposite.

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EC Approves Record Hike In Grain Prices for 1976/77

By KENNETH MURRAY
Foreign Commodity Analysis, Grain and Feed
Foreign Agricultural Service

IN EARLY March, the EC Council of Ministers decided on a substantial increase in grain prices of the European Community for the 1976/77 season. The increase is the largest, both in absolute and percentage terms, in EC history. It also marks the third large grain price boost in as many seasons.

The increase will mean higher variable levies on imported grains, as well as bigger restitutions (subsidies) on the Community's grain exports. The EC will thus be moving further out of line, pricewise, from its trading partners, while the grain price increases also lead to:

- Expanded domestic production prospects via larger producer incentives;
- Discouragement of overall grain consumption for feed; and
- Decreased demand for grain imports, especially feedgrains.

Target prices (the wholesale price average desired for the year) and threshold (minimum import) prices for the principal grains will be raised by around 9 percent, or about one-third above 1973/74 levels. This means rises of $14 to $16 per metric ton in variable import levies for wheat, corn, and barley. The EC Commission's grain price proposal for 1976/77 seems to be aimed at several objectives, which include:

- Increasing the returns to producers;
- Reducing the price spread between wheat and feedgrain;
- Decreasing the need for interference at internal market points, while increasing dependence upon border (trade) intervention;
- Dealing with the problem of the rapidly rising production of low-quality, high-yielding wheat varieties by putting them on a feed-price basis; and
- Increasing the EC's grain self-sufficiency.

Since the EC still must import about 10 percent of its grain requirements, imported grain continues to have an important impact on prices of domestic grains. The big gain in threshold prices (via higher target prices) means higher prices for imported grains and thereby bids up the market price of domestically produced grains.

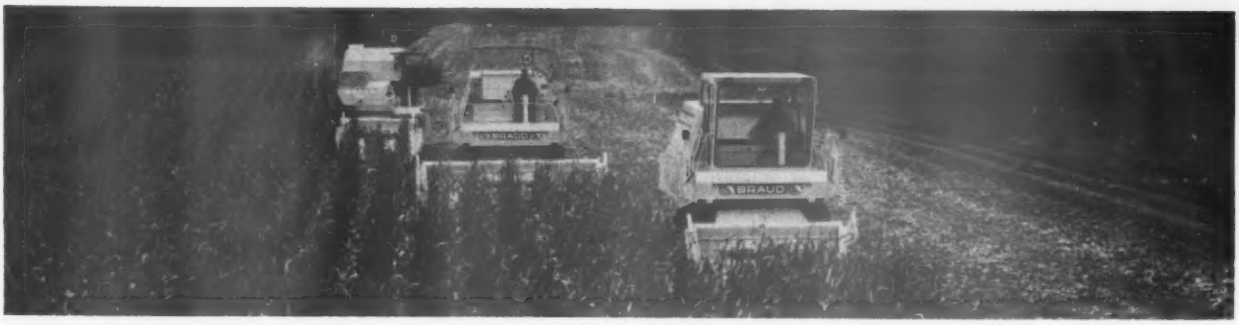
The $14- to $16-per-ton increase to be added to wheat, corn, and barley import levies as the result of the price rises would jack up these levies to about $60 per ton on wheat and corn and $50 per ton for barley, assuming current world grain prices. The levy-paid price of U.S. corn would be about $180 per ton, or $4.55 per bushel, compared with an EC corn intervention price of about $3.60 per bushel.

The price decision included adjustments in the special "green" currency exchange rates used in converting EC units of account into national currencies. In West Germany, for example, the "green" deutsche mark was revalued in relation to the EC unit of account by 2.5 percent, thus reducing the impact of the intervention price increases. But in Italy, a devaluation of the lira will make for an even steeper price rise to Italian farmers.

Durum wheat's threshold and intervention (support) prices will be increased by about 6 percent to around $270 and $252 per ton, respectively. In addition to this high level of protection, Durum producers will get a direct subsidy ranging from about $26 to $62 per ton, the higher figure being granted to farmers in "disadvantaged" areas. These generous supports will encourage Durum expansion, despite quality problems encountered in producing Durum in the EC, especially in France.

THE ADJUSTMENTS in the EC intervention prices, in turn, will reduce differentials between wheat and feedgrains through relatively larger increases for corn and barley. While the EC is a surplus producer of soft wheat, it has deficits in hard wheat, Durum, and feedgrains.

The new price relationships will encourage animal feed usage of domestic wheat. And this will be not only for



Clockwise from top: Harvesting corn in France; plowing Danish grain fields; and transferring grain from ocean vessel to barge in Rotterdam—main gateway for grains imported into the EC.

feed-quality wheat but also bread-quality wheat, since the latter's intervention price will rise by only 3.7 percent while corn and barley intervention prices go up 8.5 percent and 4.3 percent, respectively. The gap between barley and corn intervention prices has also been narrowed.

The EC apparently is trying to get out of the business of buying and selling domestic grain, and, given the protective threshold-price wall against imports, let internal market forces otherwise work freely. Raising threshold prices more than intervention prices has this effect as imported grains, taxed with higher levies, would tend to bid prices further above the intervention level. Also, the bigger spread between target and intervention prices results in a wider band within which grain prices can fluctuate without market intervention becoming necessary.

This is the fourth consecutive year that the spreads between threshold and intervention have been increased. The EC has come over to using the threshold price more and more in lieu of the intervention price as means of market support.

In addition, the intervention price on feed-quality wheat will be decreased by 5.8 percent, while the threshold price for all wheat will be raised by 9 percent. And there will no longer be regional intervention prices for wheat but a single intervention price, as with other grains, thus simplifying the wheat intervention program. These changes will also serve to simplify and reduce EC market intervention.

To discourage further rapid expansion in production of high-yielding wheat varieties, with poor baking qualities the EC Commission decided to lower the intervention price for these feed-quality wheats. However, the EC has not yet come up with an agreed method of differentiating between feed- and bread-quality wheats at the market level.

Heretofore, EC production of these varieties has risen rapidly from nil in the recent past to perhaps 15 percent of total EC wheat output currently. High support prices, with no differentiation as to quality have stimulated this increase, at the expense of other grains, mainly bread-quality wheat and corn. Since they are very poor in baking qualities, these high-yielding varieties mainly are suited for feed use.

The reduced prices for feed-quality wheats mean increased substitution for feedgrain imports, especially corn and sorghum. At the same time the lowering of this intervention price (to $4.04 per bushel) will probably not curtail production, since this wheat competes

so well in yield with other feedgrains. Also, feed wheats will remain under the protective umbrella of the overall wheat threshold price, which increases by 9 percent.

On the other hand, the lower intervention price for feed wheat is a step toward increasing the competitiveness of domestic EC corn production, which at previous price relationships appeared to be reaching a plateau.

In summary, the price decision has the triple-barreled effect of decreasing import demand for feedgrains by encouraging higher domestic production, discouraging consumption increases, and maximizing usage of domestically produced grains at the expense of imported grains.

EC data indicate a strong producer response to support prices, and there is a definite relationship between rising support prices, increased producer inputs, and grain yields in the Community. While total EC grain acreage has remained remarkably steady, yields have shown about a 20 percent increase since the start of the EC's Common Agricultural Policy.

Prices have also affected EC grain consumption. During the past 4 years, consumption has stagnated while EC prices have been rising rapidly. Although there are several factors involved in this stagnation, the increasing grain prices are high on the list, especially when it comes to grain for animal feed.

The most immediate trade aspect of the decision is that it maximizes use of domestic grain at the expense of imports. The lower supports for feed wheat will make corn and sorghum imports less competitive in the EC market. The big increase in wheat threshold prices will also tend to favor wider use of domestic wheat in breadmaking, with consequent reductions in imports of quality hard wheat for blending.

The one consolation from these changes is the chance of reduction in the EC's heavily subsidized exports of grains as more are retained for home use.

Any constriction of EC grain imports, or further encouragement to its grain production, has an immediate impact on U.S. grain trade, since the EC ranks as one of the largest foreign markets for U.S. grains. In calendar 1975, the United States shipped $445 million worth of wheat and $1,755 million of feedgrains to the Community. These grain shipments amounted to almost 40 percent of total farm sales to the Community and 20 percent of all U.S. grain exports.

EC GRAIN TARGET AND INTERVENTION PRICES[1]
[U.S. dollars per metric ton[2]]

Year	Non-Durum Wheat		Barley		Corn	
	Target	Intervention	Target	Intervention	Target	Intervention
1973/74	143.67	132.25	131.61	120.83	128.46	105.10
1974/75 (Aug. 1-Oct. 6)	152.30	137.54	138.18	120.75	136.81	111.94
1974/75 (from Oct. 7)	159.91	144.41	145.10	126.79	143.65	117.54
1975/76	174.30	157.41	158.74	138.70	158.01	129.29
1976/77	190.00	[3]163.25 [4]148.25	172.25	145.00	172.25	140.25

[1] Beginning-of-season prices: With the monthly storage-protection increment, the season averages are $8.75 per ton higher for each of the grains. [2] Converted from EC units of account using $1.25=1 u.a., which approximates the current rate. [3] For bread-quality wheat. [4] For feed-quality wheat.

SPREADS BETWEEN EC TARGET AND INTERVENTION PRICES
[U.S. dollar per metric ton[1]]

Year	Bread-quality wheat	Feed wheat	Barley	Corn
1973/74	11.42	11.42	10.78	23.36
1974/75	15.50	15.50	18.31	26.11
1975/76	16.89	16.89	20.04	28.72
1976/77	26.75	41.75	27.25	32.00

[1] Converted from units of account using $1.25=1 u.a., which approximates the current rate.

Iraq Purchases U.S. Frozen Poultry

Iraq, a rapidly growing importer of frozen poultry, has signed contracts for 35,000 tons of U.S. frozen whole chickens worth about $40 million.

Most of the chickens will go to supply restaurants and shops in Baghdad. Additional tenders may be issued for supplies for Basra and other cities.

Shipments of U.S. frozen chickens are scheduled to leave for Iraq every 3 weeks during May-December, thus providing a steady supply of this commodity for Baghdad.

U.S. suppliers of frozen poultry, despite the handicap of transportation costs that are higher than those of their European competitors, obtained the Iraqi order because of their ability to deliver large quantities.

Hungary, formerly a major supplier to Iraq, has found expanding markets for its exports of frozen poultry in Europe and the USSR. In 1975, France, the Netherlands, Bulgaria, and the People's Republic of China also supplied some of the 15,000 tons of frozen poultry imported by Iraq. About half the poultry consumed in Iraq's urban areas last year was imported.

Iraq's total meat consumption rose from 370,000 tons in 1974 to about 450,000 tons in 1975, mostly because of larger imports of mutton, beef, and frozen poultry.

With $10 billion in petroleum revenues available annually, Iraqi officials are upgrading the quality of their food imports. Iraq's abundant and subsidized rice supply—some of it long-grain stocks imported from the United States—is spurring consumer demand for chicken in the preparation of traditional chicken-rice gravy dishes.

Iraq plans to invest about $1 billion during the next 3 years in the development of commercial broiler operations. However, broiler output will reach substantial levels only after feed mills are built and operating.

Imports of corn, barley, sorghum, and soybean meal for these mills will cost more than $250 million annually—Iraq currently is seeking suppliers for imports of 20,000 tons of soybean meal.

New cold-storage warehouses are to be built in smaller cities to provide regular distribution of frozen and chilled poultry.—JOHN B. PARKER, JR., ERS

World Fertilizer Supplies Seen Adequate to 1980/81

By RICHARD B. REIDINGER
Foreign Demand and Competition Division
Economic Research Service

LESS THAN 2 years ago, world fertilizer supplies were short and prices were at record highs. Now supplies are adequate and prices have fallen almost to pre-1974 levels. If plans for additional fertilizer production capacity are not cancelled and if developing countries do not unexpectedly accelerate their rate of fertilizer consumption, a recurrence of tight world market conditions in the next few years is unlikely.

Strong world demand and limited production capacity share the blame for the sharp price rises that occurred in 1974. The fertilizer industry's financial losses of the late 1960's had discouraged any expansion of plant capacity, and by 1974 the demand created by crop shortfalls, record grain prices, and projections indicating continuing fertilizer shortages resulted in speculative and panic buying.

Many developing countries in 1974 imported fertilizer at prices their farmers could not afford.

In 1975, shortages disappeared and prices fell in response to weak demand. Fertilizer consumption dropped substantially in several major countries, including the United States, France, and India.

Most of the small increase in world consumption was concentrated in the centrally planned countries. Inventories in exporting and importing countries rose rapidly.

Many developing countries, faced with large inventories and weak domestic demand, began to reduce their fertilizer imports. Fertilizer import embargoes were put into effect in India, Brazil, Indonesia, and the Philippines.

Further nitrogen and phosphate fertilizer price declines in world markets are likely during 1976 if grain prices remain at current levels or fall off or until large inventories are reduced—particularly in the developing countries, which account for roughly two-thirds of world nitrogen imports and half of world phosphate imports.

At present, however, the estimated world balance is still close—especially for nitrogen. The short-term supply situation could tighten rapidly in the face of a strong revival of demand.

World production capacity — especially for nitrogen and phosphate—is scheduled to increase substantially up to 1980. Current projections indicate continuing improvement of the world fertilizer supply-demand balance until the late 1970's.

However, these expectations could be altered if a sufficient amount of the existing capacity is closed or planned new capacity should be cancelled, or if developing countries increase their fertilizer consumption more rapidly than is now expected in their efforts to produce more food.

In addition, much of the new supply is expected in the developing countries, and thus depends on their ability to complete their new plants on schedule and to operate them efficiently.

Between now and 1980/81, the developing countries are expected to increase their share of world fertilizer consumption and production steadily, while the production-consumption shares of the developed countries probably will decline.

Growth rates for fertilizer production are projected to exceed those for consumption, particularly in the developing countries. Some developing countries will approach and may achieve self-sufficiency in nitrogen and phosphate—especially the three largest fertilizer importing countries of China, India, and Brazil.

During the next 4 years, Indonesia, Mexico, Venezuela, and the Mideast countries are expected to become significant exporters.

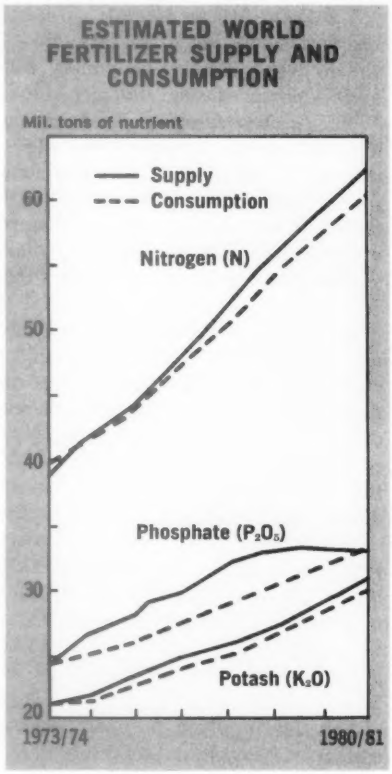
Current projections indicate that by 1980/81 the developing countries as a group will greatly reduce their import dependence on nitrogen and eliminate it for phosphate, although their imports of potash will roughly double.

The world's future potash situation is unclear, primarily because of the Saskatchewan Government's decision to nationalize Canada's potash industry, which dominates world potash trade.

The outcome of this step is vitally important to the United States, which in 1973/74 imported nearly three quarters of its potash from Canada.

Because of large inventories, supplies this year should be adequate, but future renovation and expansion of Canadian potash capacity will depend directly on Government decisions.

Potash prices have remained relatively stable during the past few years, compared with prices of other types of fertilizer. However, recent statements by Saskatchewan officials indicate higher returns on the Province's potash exports are expected.



This study was prepared as preliminary reports on actual 1974/75 fertilizer consumption were becoming available. The 1974/75 estimates and the forecasts in this report reflect trends and apparent consumption. These estimates and forecasts were developed by the FAO-UNIDO-World Bank Working Group on Fertilizers in April 1975, and thus do not fully reflect the widespread farmer resistance to high fertilizer prices that has occurred.

U.S. Farm Export Volume Up, Value Down in 9-Month Span

By SALLY E. BREEDLOVE
Foreign Demand and Competition Division
Economic Research Service

AGRICULTURAL exports from the United States were valued at $16.5 billion during the first 9 months of fiscal 1976 (July 1975-March 1976), slightly below the year-earlier value of $16.9 billion. Lower prices more than offset the 17 percent volume increase.

During July-March, U.S. agricultural imports were valued at $7.34 billion, up from $7.30 billion a year earlier. Sugar imports were down 13 percent in volume and 44 percent in value. Lower prices caused the value of vegetable oil imports to fall despite a 64 percent increase in volume. Substantial volume and value increases were recorded for imports of coffee, cocoa, slaughter cattle, and meat.

The U.S. balance of agricultural trade remained above $9 billion during July-March, more than offsetting the $5 billion deficit in nonagricultural products.

U.S. farm exports totaled $4.74 billion during July-September 1975, $6.22 billion during October-December, and $5.58 billion during January-March 1976. Grain shipments eased during the third quarter, totaling 19.2 million tons, compared with 23.3 million tons during the second quarter and 17.8 million during the first. Export volume of soybeans, oilcake and meal, and vegetable oils has accelerated during the year.

Prices of grains, soybeans, and oilseed products have trended generally downward since the first quarter of fiscal 1976. The greatest declines occurred for soybean oil, rice, and soybeans. Cotton export prices rose in the first half of fiscal 1976 and steadied during July-March.

July-March U.S. wheat exports totaled 24.9 million tons valued at $3.9 billion, up from 21.2 million tons during the same months a year earlier. The wheat export unit value averaged $157 per ton, down from $179 per ton in July 1974-March 1975.

The Soviet Union was the largest market for U.S. wheat during July 1975-March 1976, with shipments of 3.9 million tons valued at $592 million. Its 1975 wheat crop reached only 66 million tons, compared with 84 million tons in 1974 and 110 million in 1973. Poor weather also reduced 1975 wheat crops in both Western and Eastern Europe, and U.S. wheat exports to these regions are up sharply.

U.S. wheat exports to Brazil during July-March at 2.0 million tons were 5.5 times the year-earlier volume. Wheat consumption is increasing in Brazil, despite a sharp reduction in the wheat crop there and in imports of Argentine wheat.

India expanded its imports of U.S. wheat during July-March by 10 percent, despite its large 1975/76 grain crop. India is benefiting from foreign aid from Middle East oil exporters and is importing grain for urban consumers.

Slightly less U.S. wheat was shipped to Japan during July-March than was shipped a year earlier, as Japan imported more from other traditional sources of wheat supplies.

Some former large markets for U.S. wheat—including the People's Republic of China (PRC), Mexico, Iran, and Turkey—had good wheat crops in 1975 and cut back their imports of U.S. wheat drastically in July 1975-March 1976.

July-March U.S. rice exports at 1.14 million tons and $403 million were down 30 percent in volume and 45 percent in value from year-earlier levels. The excellent 1975 Asian rice crop has reduced the need for rice imports. Cambodia and South Vietnam accounted for almost half the decline in U.S. rice exports from those of a year earlier.

U.S. rice exports to developed countries were up 48 percent during July-March. Developed countries took one-third of U.S. rice exports. The largest of these markets were the Republic of South Africa, Canada, West Germany, the Netherlands, and Italy.

The rice export unit value has dropped substantially during this fiscal year. The March export unit value was $295 per ton (milled basis), compared with $442 in September 1975.

U.S. feedgrain exports totaled 33.4 million tons and were valued at $4.05 billion during the first 9 months of fiscal 1976. Export volume was up 24 percent. World feedgrain prices have declined, and the U.S. export unit value has fallen from $141 per ton in July 1974-March 1975 to $120 per ton in

U.S. AGRICULTURE EXPORTS BY REGION
July-March

Region[1]	1972-73	1973-74	1974-75	1975-76	1975/76 Change
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Percent*
Western Europe	3,188	5,039	5,614	5,435	— 3
European Community	2,571	3,973	4,313	4,377	+ 1
Other Western Europe	617	1,066	1,301	1,058	— 19
Eastern Europe and USSR	899	950	743	1,863	
USSR	584	428	286	1,406	+392
Eastern Europe	315	522	457	457	—
Asia	3,134	5,930	6,504	5,404	— 17
West Asia	240	573	1,306	600	— 54
South Asia	291	490	854	927	+ 9
Southeast and East Asia (excl. Japan and PRC)	963	1,650	1,493	1,438	— 4
Japan	1,536	2,522	2,573	2,437	— 5
People's Republic of China	104	695	278	2	— 99
Latin America	747	1,700	1,888	1,647	— 13
Canada	555	866	947	1,016	+ 7
Canadian transhipments	110	510	320	339	+ 6
Africa	219	692	821	751	— 8
Oceania	43	95	104	87	— 16
Total	8,895	15,781	16,941	16,542	— 2

[1] Not adjusted for transshipments.

March 1976.

Expanded shipments to the USSR accounted for most of the increase in U.S. feedgrain exports during July-March. The 1975 Soviet feedgrain crop (rye, barley, oats, corn) was struck hard by drought. At 66 million tons, it was two-thirds the size of the 1974 crop.

The Soviet Union chose to import grain in order to minimize the need for distress livestock slaughter. A major effort to improve the Soviet diet is underway, despite the poor grain harvest. July-March U.S. feedgrain exports to the USSR totaled 6.1 million tons, valued at $759 million.

Japan imported slightly more feedgrains in July-March than a year earlier. Japan is beginning to recover from the economic recession, and its livestock sector is becoming stronger.

U.S. feedgrain exports to Western Europe totaled 13.2 million tons in July-March, 6 percent above the year-earlier volume. Livestock feeding is expanding with the slowly improving economic conditions. The weather-reduced 1975 coarse-grain crop also resulted in larger import requirements in Western Europe.

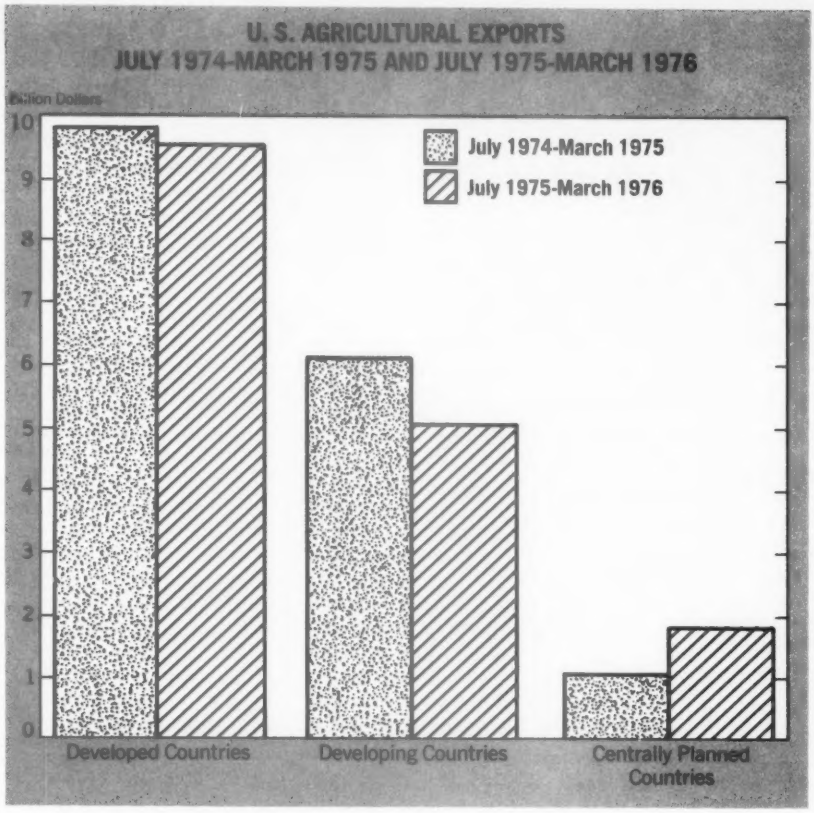
Increased livestock feeding in Western Europe and Japan has led to greater exports of U.S. soybeans. July-March exports of 11.4 million tons were 27 percent above the year-earlier volume.

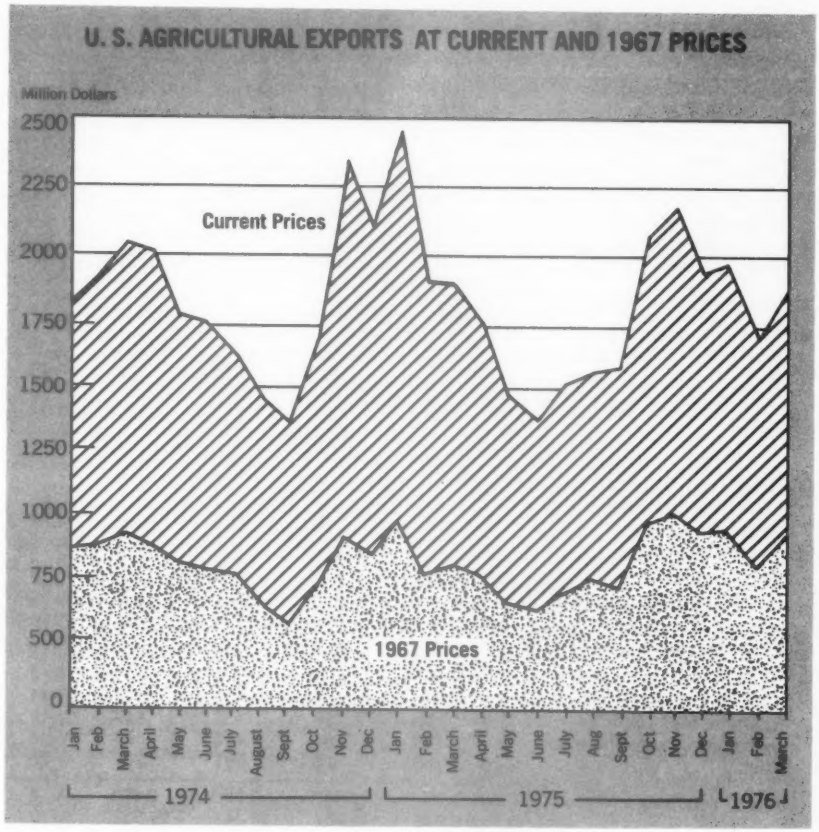
Soybean shipments to the European Community (EC) increased 42 percent above the depressed July 1974-March 1975 volume. Larger shipments to the Netherlands accounted for three-fifths of the growth. U.S. soybean exports to Japan were up 17 percent in July-March.

Larger 1975 U.S. and Brazilian soybean harvests have caused soybean prices to fall. The U.S. soybean export unit value was $202 per ton during July 1975-March 1976, down from $276 a year earlier. The export unit value dropped about 15 percent during the first 9 months of fiscal 1976.

U.S. oilcake and meal exports were valued at $534 million during July-March. Exports were slightly below the year-earlier volume. Oilmeal exports have accelerated since the fall. During January-March 1976, shipments were above the year-earlier volume by over one-fourth.

July-March shipments to the EC, which takes well over half of U.S. oilmeal exports, were 5 percent below the July 1974-March 1975 volume. In





recent months, shipments have exceeded year-earlier levels.

World vegetable oils are in abundant supply. U.S. soybean oil has met strong competition from the large volume of palm oil on the world market and from Brazilian soybean oil.

July-March U.S. vegetable oil exports were valued at $366 million, compared with $764 million during July 1974-March 1975 and $329 million during July 1973-March 1974. Export volume of 1.3 billion pounds was 37 percent below the year-earlier level and 12 percent below the July 1973-March 1974 volume.

Much of the decline in the value of exports of soybeans and products from the first three quarters of fiscal 1975 is accounted for by reduced prices and export volume for soybean oil. The export unit value was 24 cents per pound during July-March, compared with 37 cents a year earlier.

U.S. AGRICULTURAL EXPORTS: VOLUME BY COMMODITY
July-March

Commodity	1972-73	1973-74	1974-75	1975-76	1975/76 Change
	1,000 M.T.	*1,000 M.T.*	*1,000 M.T.*	*1,000 M.T.*	*Percent*
Wheat and products	22,118	26,359	21,984	25,518	+16
Feedgrains and products	25,838	33,014	27,247	33,580	+23
Rice	1,554	1,154	1,632	1,135	−30
Soybeans	10,679	10,191	8,971	11,398	+27
Oilmeal	3,498	3,542	3,268	3,223	− 1
Vegetable oils	796	677	949	598	−37
Cotton, excluding linters	693	872	586	504	−14
Tobacco	205	231	233	225	− 3
Total	65,381	76,040	64,870	76,181	+17

U.S. AGRICULTURAL EXPORTS: VALUE BY COMMODITY
July-March

Commodity	1972-73	1973-74	1974-75	1975-76	1975/76 Change
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Percent*
Animals and animal products:					
Dairy products	70	46	71	68	− 4
Fats, oils, and greases	168	333	394	253	−36
Hides and skins, excl. fur skins	318	253	229	256	+12
Meats and meat products	190	251	248	407	+64
Poultry and poultry products	72	109	95	145	+53
Other	156	315	229	277	+21
Total animals and products	974	1,307	1,266	1,406	+11
Grains and preparations:					
Feedgrains, excluding products	1,562	3,352	3,797	4,050	+ 7
Rice	334	527	739	403	−45
Wheat and major wheat products	1,563	3,849	3,938	4,018	+ 2
Other	78	152	134	131	− 2
Total grains and preparations	3,537	7,880	8,608	8,602	—
Oilseeds and products:					
Cottonseed and soybean oil	158	232	592	232	−61
Soybeans	1,562	2,356	2,476	2,302	− 7
Protein meal	497	852	563	534	− 5
Other	180	277	370	333	−10
Total oilseeds and products	2,397	3,717	4,001	3,401	−15
Other products and preparations:					
Cotton excluding linters	504	864	748	612	−18
Tobacco, unmanufactured	495	598	724	761	+ 5
Fruits and preparations	334	447	465	531	+14
Nuts and preparations	75	136	133	149	+12
Vegetables and preparations	199	307	415	380	− 9
Other	380	525	581	700	+20
Total products and preparations	1,987	2,877	3,066	3,133	+ 2
Total	8,895	15,781	16,941	16,542	− 2

U.S. vegetable oil imports totaled $382 million and 2.02 billion pounds during July-March, up from 1.25 billion pounds during the same months a year ago. The July-March total includes 876 million pounds of palm—double the year-earlier volume—and 849 million pounds of coconut oil—an increase of 71 percent.

During July-March 1976, the United States exported 2.3 million running bales—497,000 tons—of cotton (excluding linters) valued at $612 million. Export volume was 14 percent below the year-earlier level.

The world textile economy continued to suffer from reduced consumer demand. In addition, U.S. cotton was uncompetitively priced for the world market during the fall of 1975.

Currently, the world supply-demand balance is changing rapidly. As the world economy recovers, demand for U.S. cotton is increasing.

July-March U.S. cotton exports were up slightly to Southeast and East Asia, the market for over two-thirds of U.S. exports. This increase came despite the drop in shipments to Japan to 393,000 bales from 738,000 during July 1974-March 1975 and the drop in shipments to the PRC to 8,000 bales from 190,000 bales. The gain in exports to the region came through the recovery of shipments to the Republic of Korea and Taiwan from last year's very low levels.

U.S. cotton exports to Western Europe fell to about one-fourth of the year-earlier volume during July-March.

U.S. exports of unmanufactured tobacco (including bulk smoking tobacco) totaled 233,000 tons during July-March, down slightly from the year-earlier volume.

Unmanufactured tobacco shipments to the EC fell 7 percent during July-March. Shipments to Japan continued to increase.

U.S. exports of animals and animal products were valued at $1.41 billion in July-March, 11 percent above the total of a year earlier. Exports of animal fats and oils fell below two-thirds of the year-earlier value. Export value was up 32 percent for animals and products, excluding fats and oils. The greatest increase occurred for exports of pork, beef, and poultry meat.

Cattle hide and fur skin exports were also larger, and the export value of variety meats rose despite a 7 percent volume decline.

Canada Ups Elevator Capacity

A 1-million bushel capacity terminal elevator is being built at Weyburn, 75 miles southwest of Regina, Saskatchewan, by group of 1,100 prairie farmers, most of whom are also members of the Pallister Association. The Weyburn Inland Terminal, Ltd., has begun to accept its first grain for storage and the installation of equipment is progressing on schedule.

The terminal will have a capacity of 30,000 bushels per hour on both the receiving and the shipping legs. It will be able to clean 4,000 bushels and dry 2,500 bushels per hour. The terminal is built several miles south of the town and has spotting capacity for 105 rail hopper cars on its private spur. This is a most impressive facility, but it will be years perhaps before its impact on the prairie grain handling system can be assessed, according to the U.S. Agricultural Attaché at Ottawa.

Two other high-capacity inland terminal elevators are in the same stage of construction. These are both owned by Cargil Canada. Both have a storage capacity of 600,000 bushels. Both can be expected to have roughly the same capacities as the Weyburn facility except for storage space. One is located at Rosetown, Saskatchewan, about 75 miles southwest of Saskatoon. The other is located at Elm Creek, Manitoba, about 45 miles west of Winnipeg.

The Saskatchewan Wheat Pool, which is in the process of reducing the number of its country elevators and delivery points, has announced plans to build two large capacity elevators. One, to be located at Parkman, Saskatchewan, is to have a 100,000-bushel capacity and a siding with spotting capacity for 15 hopper rail cars. It will have a 60-foot platform scale with a capacity of 50 metric tons. This elevator will replace pool elevators A and B at Parkman, which have a combined storage capacity of 82,000 bushels. No other company or pool is represented at this shipping point.

The second new elevator will be built at Culpar, Saskatchewan, and will have a 150,000-bushel capacity and spotting capacity of 18 rail hopper cars. It, too, will have a 60-foot, 50-metric-ton platform scale.

Both elevators will be capable of simultaneously shipping and receiving, and both will have grain cleaning equipment.

New FAS Publications

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France Unlikely To Expand Soybean Area

France's prospects for large-scale expansion of soybean production are not bright.

Although soybean yields in France during 1975 were larger than in 1974, such disincentives as soybean price declines, support prices that are less attractive than those for grains, and a reluctance on the part of the European Community (EC) to expand subsidy payments to soybean producers are dampening prospects for substantial gains in French soybean acreage and output.

Area planted to soybeans in 1976 appears to be less than 10,000 acres, compared with earlier projections of 40,000-50,000 acres for this year and 250,000 acres by 1980.

France's average soybean yields in 1975, based on a sampling of 650 hectares, were 30 bushels per acre in non-irrigated land, compared with an average 30.1 bushels per acre during the five previous seasons, and 40.6 bushels per acre on irrigated land, compared with an average 34.6 bushels per acre during the five previous seasons.

For several reasons, however, these good results are insufficient to restore confidence in soybean production in France and promote strong prospects for the future:

- The poor yields of the 1974 crop discouraged many farmers who had been encouraged to cultivate soybeans.
- Soybean price decreases on world markets have made soybean cultivation less desirable to French growers.
- Pressures on the EC to reduce expenses have made soybean cultivation on a large scale less attractive than formerly because of the heavy subsidies that would be required to make EC soybeans competitive with world soybean prices. French authorities have other priorities in their EC discussions, and are essentially trying to obtain price increases for their major products.

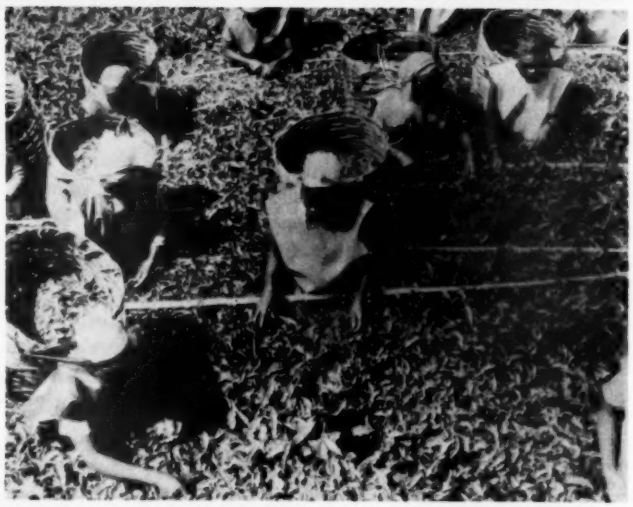
If the EC does not offer what growers regard as an adequate return on soybean production, France's 1980 goal of 250,000 acres in soybeans will not be reached and soybean cultivation on a commercial basis could even disappear.

Most of Western Europe's soybean imports come from the United States and Brazil, although soybeans are grown commercially in Spain, Hungary, Romania, Yugoslavia, Bulgaria, and the Soviet Union and production is trending up in these countries.

—Based on report from
Office of U.S. Agricultural Attaché
Paris

Kenya's Tea Output, Usage, Exports on General Uptrend

By IRENE ROSE
Office of U.S. Agricultural Attaché
Nairobi



From top, small-holder tea field in Kenya; tea pickers on a Kenyan tea estate pluck tea leaves regularly throughout the year; Kenyan tea comes in several grades. Domestic tea consumption has risen each year since 1968.

IF YOU ARE cold, tea will warm you; if heated, it will cool you; if depressed, it will cheer you; if excited, it will calm you.

So said British Prime Minister William E. Gladstone, who reportedly filled his bedtime hot water bottle with tea instead of water, so as to have his "libation" at hand in the morning. And apparently there are thousands of Kenyans who have a similar fondness for the drink.

Tea consumption in Kenya has risen each year since 1968, while production has shown a general uptrend, with yearly totals setting records in all but 4 years since 1964. Export totals kept pace with production, setting records when output did and falling when production fell.

Area planted to tea—both in estates and in small holding—has also shown a steady increase for at least the past 10 years.

Production in the first 6 months of 1974 suffered a sharp setback, dropping 26 percent under the level of the previous year's first half. However, output recovered remarkably during the following 6 months and by yearend production was only 6 percent below that of 1973—53,439 tons[1], compared with 56,578.

Although production was lower in 1974, exports were higher than earlier forecasts had indicated and international prices for tea rose steadily through the year. But these price increases were almost entirely negated by rising input costs, especially for fertilizers. The quality of Kenya's tea remained high in 1974, and estimated domestic consumption registered a phenomenal rise of 17 percent, although this rate was not expected to continue into 1975.

Production in 1975 is estimated at 56,256 tons, exports at 49,000 tons, and consumption at 7,600.

Tea was first planted in Kenya at Limuru, near Nairobi, in 1903. But little progress was made during the next two decades. By 1925, however, planting on a commercial scale began to gather momentum when international tea companies bought large tracts of land around Kericho. At the outbreak of World War II, Kenya's annual output amounted to approximately 5,000 tons. Expansion was checked by the war, but was renewed in the postwar period. By

[1] All tons are metric.

1950, production had reached 6,778 tons as estate planted area increased to 7,642 hectares (1 ha=2.471 acres).

Large tracts of tea by then also had been planted by private individuals in and around Sotik and Nandi Districts, and around Limuru.

Now, most of Kenya's tea is grown in Kericho, Nandi, and Sotik, west of the Rift Valley; around Embu and Meru in the neighborhood of Mount Kenya; and at Limuru and Kiambu, near Nairobi. However, area growth will be more limited in the future since land suitable for tea production is not as readily available as that for coffee. Tea grows only in those districts having a high level of well-distributed rainfall and certain kinds of soil.

DESPITE LIMITS on future growth, Kenya's tea industry has expanded so rapidly in the last few years that production may well overtake that of coffee in the next decade to become the country's most important cash crop and foreign exchange earner. Total area under tea in Kenya was estimated at 58,574 hectares in 1974, of which 34,628 were on small-holder farms, the balance on estates.

These totals represent significant changes in the makeup of the industry. In 1964, 81 percent of the 23,062 hectare total was in tea estates and 19 percent in small holdings. By 1974, the situation had reversed and small holdings amounted to 53 percent of the total, while estates accounted for just 47 percent. In 1974 there were about 90,130 small-scale tea growers.

Small-holder tea growing was initiated in Kenya in 1952, when a pilot program was started in the Nyeri area of the Central Province. Experiments proved that such operations held definite promise and in 1961 the Special Crops Development Authority (SCDA) was created to promote tea production by small holders. In 1964, the Kenya Tea Development Authority (KTDA) was established, replacing SCDA, but continuing the work of developing small-holder tea plantations.

KTDA is responsible for all aspects of the small-holder tea industry—from providing planting materials to marketing the final product; and following a policy change in 1974, also manages tea factories that started operating that year. The policy also applies to additional factories yet to be built.

During KTDA's Fourth Development Plan (1973-78), total small-holder tea area will be expanded by 22,000 hectares, bringing it to an estimated 52,628 hectares by 1978 and increasing the number of small planters to about 135,100. The Plan also calls for building 22 small-holder factories to be added to the present 19, to process the additional tea—largely black but some green—collected from the new area.

By the end of the Plan period, offtake will further increase as new bushes come into bearing and others reach maturity. This will necessitate the building of additional factories. Thus it seems that any future area expansion in Kenya's tea industry will take place in the small-holder sector. Most of the potential tea land within the estate sector had been utilized as far back as 1960.

Although Kenya is a major tea producer—coming sixth or seventh in importance—it still plays a relatively minor role as an exporter. Its share of world export trade amounts to only 7 percent of the total, compared with a 60 percent share commanded by India and Sri Lanka combined.

The United Kingdom—as Kenya's most important foreign market—accounts for about half of total exports. Other important markets are the United States, the Netherlands, Pakistan, and Canada. New markets are constantly being sought and a breakthrough came in 1974 when—for the first time—Egypt purchased some 3,457 tons of Kenyan tea.

In the 3-year period, 1972-74, Kenyan exports to the United States averaged slightly more than 6,000 tons a year, those to the United Kingdom averaged 26,578 tons.

Domestic consumption has almost doubled in the last 6 years and by the end of 1976, in-country sales are expected to reach 8,000 tons a year, well over a pound per person. Vigorous advertising and promotional campaigns, combined with increased purchasing power, have helped to bring about the rise in local consumption, despite strong competition from other beverages.

There are 55 tea factories of various sizes in Kenya, including the 19 small-holder operations. All but one process black tea—a KTDA factory handles green tea. This latter factory at Kianjakoma in Embu District is a joint venture with a Japanese company.

Trial production of green tea was started in December 1972, with a target of 600 tons annually. In 1974, output amounted to 550 tons, compared with 387 tons in 1973. This tea is strictly for the Japanese market and, reportedly, is superior in quality to green tea grown in the Far East because of the oriental tea's high tannin content.

During December 1974, the first consignment of Kenyan instant tea, produced in a factory near Kericho, was exported to Australia and the United Kingdom. This US$2.4-million instant-tea factory was expected to be fully operational late in 1975.

The Tea Research Institute of East Africa (TRI), based at Kericho, is an important element in Kenya's tea-growing program. TRI's objectives are to increase farmer income from tea growing by boosting yields per hectare; to improve the quality of tea parent stock; and to reduce producer costs. TRI holds "field days" during which it explains to small holders how to cut costs by improving cultural methods.

In 1974, Kenya's average tea yield was 0.9 ton per hectare. The average yield on tea estates was 1.6 tons per hectare and for small holders 0.4 ton. In 1950, overall yields averaged 0.89 metric ton per hectare.

During 1974, Kenya was elected to the United Kingdom Tea Council in London. Thus, Kenya—Africa's largest tea exporter—joined India and Sri Lanka as a producer representative on a body whose major function is to promote tea usage in importing countries.

DURING THE year, the Kenyan Tea Board continued to support promotional campaigns in the United Kingdom, the United States, and Canada.

Kenya participated in the symposium on international tea market expansion held in London in December 1974, which brought together representatives from both tea exporting and importing countries. Discussions centered on tea promotional opportunities and ways to keep prices at a high level. The matter was further discussed at the U.N. Food and Agriculture Organization meeting in June 1975.

With plans to markedly increase small-holder tea area in the next several years, Kenya does not advocate long-term quota agreements, especially if such agreements entail restrictions on tea expansion.

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ORIENT PRIZES QUALITY U.S. GINSENG EXPORTS

U.S. exports of ginseng, an American herb highly prized in the Orient for a variety of uses, have risen in value each year since at least 1970. Virtually all U.S. ginseng is shipped to Hong Kong which is now the major ginseng purchasing and dispersal point in the Far East.

Valued at $12.6 million in 1975, total U.S. ginseng exports were up 13.5 percent from the $11.1 million of a year earlier. Ginseng was the third most valuable U.S. export to Hong Kong in 1975, behind oranges and cotton. Ginseng and wheat exports to Hong Kong were about equal in value.

An estimated 250,000 pounds of ginseng will be produced in this country in the current marketing year (Sept. 1, 1975-Aug. 31, 1976). Of this total, about three-fourths is cultivated ginseng. Most U.S. ginseng was formerly gathered in the woods where it grows wild.

But the wild ginseng supply has about stabilized and an increasing quantity is being grown under cultivation. Almost all of the wild ginseng enters the export market where it commands a much higher price than cultivated ginseng because of the common belief the wild product is of higher quality.

Practically all U.S. cultivated ginseng is grown in north-central Wisconsin where soil conditions are ideal —well drained and acid. It is a difficult crop to grow and technology—and often labor—are exchanged by growers in the small region where it is cultivated. To be raised successfully, growing conditions for cultivated ginseng must be similar to those for wild ginseng. Shade is a necessity and natural soil conditioners, rather than commercial fertilizer, are best applied to this temperamental crop.

The seed should be treated to prevent disease attacks (formalin is used by some growers) and planted with care. Fungal blight is a problem that can be controlled, but when root rot appears the crop must be dug almost immediately, as there is no satisfactory treatment. Normally the latter disease appears about 4 years after the ginseng root is planted.

The average producer harvests about 1½ acres annually, but about four times this area must be placed under cultivation because of the perennial nature of this slow maturing plant.

Production costs are increasing for labor-intensive ginseng cultivation. The producer is getting about $20 per pound for the current crop, and on the average needs around $11 to break even, not counting land and other fixed costs.

Stratified seed is now about $15 per thousand and hired labor must be paid at least $3 per hour in the main growing area. Shade structures, machinery, and other equipment are also expensive.

Average yields are about 1,500 pounds per acre. Harvesting is usually done with a converted potato digger. The roots are carefully gathered up and washed. Next, they are dried with forced air heated to 70°-120°F for 2 to 3 weeks. They are finally placed in cylindrical, cardboard containers to protect the roots.

One large farm markets all of its production directly in Hong Kong. The major exporter-buyers crisscross through the growing area looking for the valuable roots as soon as they have been dried.

After a price is negotiated on a grower's crop the exporter usually sorts it and ships it by air to the Orient. Once there, the roots that are not already destined for direct consumption on consignment are usually sold at auction.

Ginseng is revered in the Orient as a cure-all and a stimulant. In fact, it is one of the most popular drugs used in that part of the world. In the United States, it is becoming an increasingly important item in health stores.

Several American universities are studying its properties to see if it can be used medically, but so far, FAS knows of no published findings. It is estimated that around 10 percent of U.S. production is now marketed within the United States.

South Korean ginseng is the major type competing with U.S. ginseng in foreign markets. However, the two kinds have somewhat different uses and are purchased at different price levels. The U.S.-type ginseng commands a higher price.

Because of relatively high tariffs or other import restrictions, U.S. ginseng has difficulty in moving directly to some foreign countries. Further, it must compete with illegal trade in the product, which often results in a lower retail price for the contraband root. Entry is free into Hong Kong while Taiwan has a 35 percent ad valorem duty. —By GORDON E. PATTY, FAS

*U.S. GOVERNMENT PRINTING OFFICE:1976 211-407/44 1-3